

Message Text

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15

ACTION EB-07

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CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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TAGS: GATT, ETRD, CA, EEC

SUBJ: GATT TEXTILES COMMITTEE MFA REVIEW

1. SUMMARY. PRINCIPAL TOPICS OF FIRST DAY (NOV 30) OF TEXTILES COMMITTEE REVIEW OF MFA OPERATION WERE CANADIAN ANNOUNCEMENT OF GLOBAL QUOTA ON CERTAIN APPAREL PRODUCTS AND EC REVIEW OF TROUBLES IN ITS TEXTILE AND APPAREL SECTORS. SWEDISH REP ALSO SPOKE, ON BEHALF NORDICS, ABOUT NEED SUPPORT FOR CONCEPT OF "MINIMUM VIABLE PRODUCTION." SMITH (CHAIRMAN OF USDEL), SPEAKING TWICE, FIRST GAVE STATEMENT IN SUPPORT OF OPERATION OF MFA AND, SUBSEQUENTLY, EXPRESSED US CONCERN AT CANADIAN ACTION (TEXT OF LATTER REPORTED SEPTTEL TO DEPT AND OTTAWA). SECOND DAY'S SESSION (DEC 1) DEVOTED LARGELY TO TWO THEMES, VIZ THE SHORTCOMINGS OF THE OPERATION OF THE MFA AND THE CANADIAN ACTION IN GOING TO GATT ARTICLE XIX AND AB-

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ROGATING THEIR HK AND KOREAN BILATERALS. END SUMMARY.

2. USDEL OPENED DISCUSSION OF MFA OPERATION BY NOTING THAT WHILE MFA HAD NOT ACCOMPLISHED ALL THAT EACH PARTY HAD EXPECTED OF IT THREE YEARS AGO, IT HAS ESTABLISHED STANDARDS TO BE APPLIED WHEN RESTRAINTS SOUGHT, HAD ESTABLISHED TSB TO REVIEW COMPLIANCE WITH STANDARDS, HAD FACILITATED ORDERLY GROWTH OF TRADE, AND HAD, AS AGREEMENT, WITHSTOOD 1974-75 RECESSION.

3. MEYNELL, SPEAKING FOR EC, STUDIOUSLY AVOIDED STATING CONCLUSION THAT MFA NEEDED TO BE CHANGED; HE LIMITED HIS EXTENDED STATEMENT TO REPORTING "FACTS," SUCH AS 1) EC IS LARGEST, FASTEST-GROWING MARKET FOR TEXTILES IMPORTS, INCLUDING IMPORTS FROM DEVELOPING COUNTRIES, 2) LDC SHARE OF EXPORTS TO EC GROWING WHILE LDC SHARE OF ALL TEXTILE EXPORTS REMAINING STABLE, 3) RECESSION HAD HAD SHARP IMPACT ON EC TEXTILE INDUSTRY, 4) DIFFERENTIAL INCIDENCE OF TARIFFS AND AVAILABILITY OF GENERALIZED PREFERENCES HAD AFFECTED TRADE IN TEXTILES, 5) SUBSIDIES AND PRICING PATTERNS HAD IMPACT ON EC TRADE, WITH PRICING NEEDING MORE ANALYSIS, 6) MARKET PENETRATION IN EC VERY HIGH. ONE RESULT OF THESE FACTORS WAS THAT EC HAD LOST 400 TO 430 THOUSAND JOBS IN TEXTILE AND CLOTHING INDUSTRIES SINCE JANUARY 1974, PARTICULARLY SERIOUS BECAUSE OF REGIONAL CONCENTRATION OF IMPACT. RECENT GROWTH RATES WOULD BE UNSUSTAINABLE WHEN PENETRATION BECAME TOO HIGH. WHILE MFA MIGHT HAVE BEEN SUCCESS TO SOME, IT HAD NOT AVOIDED MARKET DISRUPTION IN EC.

4. EGYPTIAN (HAMZA) AND MEXICAN (BARONA) DELEGATES BOTH QUESTIONED EC STATISTICS. INDIA DEL RAMAKHRISHNA ARGUED THAT WHILE SECONDARY GOALS OF MFA (AVOIDANCE OF MARKET DISRUPTION FOR IMPORTERS) HAD BEEN MET, THE PRIMARY GOALS (HELP FOR LDC'S) HAD NOT BEEN ACHIEVED. SWEDISH DEL, SPEAKING ON BEHALF NORDICS, REVIEWED HISTORY OF "NORDIC," OR MVP, CLAUSE (ARTICLE 1:2) AND EXPRESSED HOPE THERE WOULD BE LESS IMPORT PRESSURE ON THEM IN THE FUTURE. AUSTRALIAN REP EXPRESSED VIEW THAT ACCESSION TO MFA DID NOT CONFER GATT RIGHTS ON NON-MEMBERS OF GATT.

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5. CANADIAN DEL "NOTIFIED" MEETING OF IMPOSITION OF GLOBAL IMPORT QUOTA ON RANGE OF CLOTHING ITEMS. ACTION TAKEN UNDER GATT XIX, WAS BASED ON INTERIM REPORT OF TEXTILES AND CLOTHING BOARD; WHEN FINAL REPORT RECEIVED BY CANADIAN GOVERNMENT, PROBABLY IN MIDDLE 1977, MEASURES WOULD BE REVIEWED BY GOC. IN MEANTIME, FOR COVERED GOODS, OTHER THAN OUTERWEAR, EACH IMPORTER

WOULD RECEIVE LICENSES BASED ON HIS 1975 PERFORMANCE.
TSAO (HONG KONG) AND NOH (KOREA) HAD INFORMED TC OF
CANADIAN ACTION SHORTLY BEFORE CANADIAN SPOKE; MANY DELS
REFERRED TO CANADIAN STEP WITH DISMAY.

6. U.S. STATEMENT ON CANADIAN ACTION, IN ADDITION TO
EXPRESSING DISMAY, REGRET THAT CANADIANS FELT IMPELLED
TO TAKE THIS ACTION NOW, WAS TO GENERAL EFFECT THAT U.S.
TRADE WITH CANADA MIGHT BE AFFECTED AND USG WILL PURSUE
MATTER WITH CANADIAN GOVERNMENT.

7. DURING MEETING ON SECOND DAY, MFA OPERATIONAL DIS-
ABILITIES, AS VIEWED BY LDC'S AT LEAST, BEST SUMMED UP
BY NAIK OF PAKISTAN. HIS VIEW THAT "TEMPORARY" MFA NOW
PART OF 15-YEAR CONTROL SYSTEM WHICH WAS REALLY IN VIO-
LATION OF GATT CONCEPT OF ELIMINATING TRADE RESTRIC-
TIONS. PARTICULAR INEQUITIES INCLUDED: QUOTAS APPLIED
IN DISCRIMINATORY FASHION; MARKET DISRUPTION ALWAYS
CAUSED BY LDC'S ONLY; MFA FAILED TO PROTECT LDC'S DUR-
ING BILATERAL NEGOTIATIONS; QUOTAS CAN'T BE FULLY USED
BECAUSE ADMINISTRATION POORLY MANAGED (IMPLICATION WAS
FAULT OF RECEIVING COUNTRIES). PAK DEL REITERATED MFA
WAS VIOLATION OF INTENT OF GATT, AND IMPLEMENTATION
OBLIGATIONS FLOUTED BY RECEIVING MEMBER COUNTRIES.

8. RE CANADIAN ACTION, HONG KONG MOST VOCIFEROUS IN
STATING CANADIAN ACTION WAS VIOLATION OF TRUST AND OF
MFA, SPECIFICALLY ART 9(1) - THE TAKING OF ADDITIONAL
TRADE RESTRICTIVE MEASURES. HK REP STATED CONSULTATIONS
UNDER 9(2) WARRANTED AND URGED EVENTUAL SUBMISSION OF
CASE TO TSB. ISRAEL CONCURRED IN VIEW OF 9(1) VIOLA-
TION, RESERVED UNDER 9(2) AS DID SEVERAL OTHER COUN-
TRIES. EGYPT SUGGESTED USE OF ART 10(3) - REFERRING
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DIVERGENCE OF VIEWS TO FULL TEXTILES COMMITTEE.N

9. SEVERAL DELEGATIONS REFERRED TO SHORTCOMINGS OF
TSB. YUGOSLAV DEL (TOMIC) IN MODERATE, BALANCED STATE-
MENT POINTED OUT, INTER ALIA, THAT FAULT LAY NOT
WITH TSB OR ITS PROCEDURES, BUT RATHER WITH FAILURE OF
SOME TSB MEMBERS TO INSURE ADEQUATE AND SUSTAINED REP-
RESENTATION AND PARTICIPATION IN TSB ACTIVITIES.

10. ONLY OTHER SIGNIFICANT CONTRIBUTION TO SESSION
OF DEC 1 WAS BY BRAZIL WHICH STRESSED THAT CONCEPT OF
MVP SHOULD NOT APPLY TO SMALL MARKETS THAT WERE PART
OF LARGE MARKETS (I.E., THE EC). THIS WAS ATTEMPT TO
HEAD OFF PROLIFERATION OF NORDIC MVP APPLICATION BY
INDIVIDUAL EC MEMBERS. BRAZIL DEL ALSO SUGGESTED
TIME HAD COME FOR US AND EC TO IMPORT MORE, I.E.,

LIBERALIZE BILATERALS.

11. FRIDAY, DEC 3. SESSION ON UTILIZATION OF GATT PROCEDURES FOR TEXTILE PROBLEM RESOLUTION, RATHER THAN RETENTION OF ISSUES WITHIN MFA, WILL BE REPORTED SEPTEL. CATTO

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